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RUEHBO/AMEMBASSY BOGOTA 2221  
RUEHCV/AMEMBASSY CARACAS 0974  
RUEHPE/AMEMBASSY LIMA 0611  
RUEHQQT/AMEMBASSY QUITO 0849

C O N F I D E N T I A L PANAMA 000533

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DEPT FOR WHA/CEN - PIERCE  
ALSO FOR WHA/EPSC - URS, GUMBINER, AND YOUNG  
ALSO FOR EB/TPP/BTA - LAMPRON  
STATE PASS USTR - SCHWAB, CROWDER, LATIMER, AND MALITO  
ALSO PASS USDA/FAS/ITP - SPITZER  
USDOC/MAC - GAISFORD

E.O. 12958: DECL: 03/24/2016

TAGS: ETRD EAGR ECON EWWT PGOV PM

SUBJECT: GOP STRUGGLES TO RESOLVE FTA STUMBLING BLOCKS

REF: PANAMA 0233

Classified By: Ambassador William A. Eaton - Reasons 1.5(b and d)

¶1. (C) Summary: Panama's trade minister remains convinced the GOP is within reach of an FTA with the U.S. However, First Vice President/Foreign Minister Samuel Lewis Navarro (SLN) fears the deal may be "dead" and hinted that the GOP might turn its near-term focus to the proposed expansion of the Panama Canal. The GOP also frets that DP World's likely bid on an upcoming "mega port" project could complicate the U.S. Congress' outlook on an FTA with Panama. End Summary.

VP/ForMin Does Not Share Trade Minister's Optimism on FTA

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¶2. (C) Trade Minister Alejandro Ferrer told Ambassador on March 23 that he remains convinced that an FTA with the U.S. is within reach. He said the GOP is prepared to go along with the USG's terms on outstanding sanitary and phytosanitary (SPS) issues. Following his March 22 telephone conversations with senior USTR officials, Ferrer said he planned to provide USTR with a clearer indication what the GOP could or could not accept on the USG's SPS points. Despite his disappointment at being unable to reach agreement with USTR by now, Ferrer hoped that the two sides could engage, perhaps through a brief digital video conference, to sort out the "real" vs. merely "cosmetic" differences. He plans to provide USTR with a "cleaned up" revision of the package the GOP sent to Washington on March 15.

¶3. (C) In a separate March 23 meeting with Ambassador and ECON Chief, Panamanian First Vice President/Foreign Minister Samuel Lewis Navarro (SLN) said he feared an FTA with the U.S. may be "dead," based on Ferrer's read-out from his March 22 conversations. SLN vented his feeling that Washington appears unwilling to help the GOP deal with its domestic political constraints. The Ambassador and ECON Chief stressed the USG's understanding of Panama's constraints, but pointed out that we, too, have constraints. They also recalled the long history we have had with the GOP's abuse of SPS measures to block trade, as well as the USG's indulgence in extending negotiations on a bilateral FTA through nine

rounds. SLN said that failure to conclude an FTA would be a "big blow to one of America's staunchest allies in the region." SLN expected to discuss possible next steps with President Torrijos. He hinted that the GOP might defer their efforts on FTA until after Panamanians vote on a referendum on the proposed expansion of the Panama Canal (now expected for November 2006). SLN suggested that, unlike others in the region, an FTA with the U.S. is not ultimately a "live or die" issue for Panama, as it would nonetheless continue to grow its services-based economy.

UAE's "DP World" May Bid on "Mega Port" Project

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¶4. (C) Minister of the Presidency Ubaldino Real and SLN said that the GOP expects the UAE's "DP World" to be among several bidders on Panama's proposed "Mega Port" project near the Pacific entrance of the Panama Canal. Noting that U.S. firms will also likely bid and that the GOP would be "delighted" to see a U.S. operator handle the project, Real fretted that DP World's possible bid could complicate the U.S. Congress' outlook on an FTA with Panama.

Comment

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¶5. (C) Despite the GOP's growing focus on promoting the Canal expansion and internal GOP divisions on the advantages of putting the FTA on ice until after a Canal referendum (reftel), President Torrijos has yet to pull his FTA negotiators back from using the additional two to three weeks that Ferrer thinks he needs to close the deal. However, as SLN has been one of Ferrer's strongest backers in the Administration's internal debates on the issue, if he defects to the GOP's "Canal now, FTA later" camp, it could tip the balance against Ferrer.

EATON